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## Blazing an Accounting Trail

When there were no precedents to guide the United Fruit Company

By CECIL B. TAYLOR

*(Comptroller, United Fruit Company)*

The average man looks upon accounting as a necessary evil, often as a non-productive expense, and possibly as a mysterious realm, but he is willing to concede that without it he cannot be sure whether he is making or losing money. He likes to feel that as long as he has money in the bank he is safe, and, apart from the bills he owes, he has been willing to leave the rest to his accounting department.

The growth of business, however, has changed this point of view, and the up-to-date executive is fully aware of the pitfalls and dangers of ignorant or inadequate accounting. The modern executive, likewise, knows that without a fair knowledge of accounting fundamentals, he is at a serious disadvantage, and therefore takes a keen interest in his balance sheet with its assets and liabilities orderly arranged, and the result of his work reflected in the profit and loss account.

Beyond that, even now, few realize the ramifications involved in the balance sheet of modern business, and it is really not necessary that the executive be concerned with them because that is the job of the accounting staff. The success of the accounting staff today is dependent first, upon the accuracy of its results; second, upon promptness; and third, but by no means last or least, upon the economical accomplishment of its results. It needs no stretch of imagination to ap-

preciate the necessity for skill in the accomplishment of these ends when you consider the fact that the United Fruit Company, a representative of modern and big business, requires 900 men to carry on properly its accounting task.

The direction of its accounting activities, therefore, requires at the outset a scientific organization, under which the accounting, auditing, budget, and statistical activities are conducted in accordance with modern accounting science, and intelligently coordinated. Here, it might be stated that the Fruit Company's accounting system is in some respects unique, in that it is a result of considerable internal development and improvement over many years of experience without the advantages of precedents as is the case in many industries. Further, its accounting, auditing, budget, and statistical activities were operated as a unit until its present President, Victor M. Cutter, authorized the separation of those operations in accordance with more modern and scientific principles. The distinction between these activities is not generally appreciated, but that point needs no elaboration to the readers of this paper.

The ramifications of the Fruit Company's business and its methods are of more interest than accounting technicalities, with which you are familiar. When you consider that its operations

are being conducted in nearly all of the principal Central American countries as well as Cuba and Jamaica, and involve production (principally bananas and sugar), transportation, and distribution, which means farms (over 300,000 acres), railways (over 1,500 miles), live stock (41,000 head), hospitals (8), merchandise stores (178), ships (86), sugar mills and refineries (3), industrial plants, selling organizations, with branches all over the country from Boston, Massachusetts, to San Francisco, California, and from San Antonio, Texas, to Winnipeg in Canada, as well as the British Isles and continental Europe, you can better appreciate the magnitude of the accounting task, and figure that somebody must be ever busy endeavoring to keep the accounting machinery under control. It is somewhat like a locomotive; it has to be oiled, tightened, cleaned, and watched constantly to accomplish the result and avoid trouble.

The construction and development of its properties and plantations are a colossal task in themselves, as is evidenced by a glance at the Company's annual report, which shows that the Company had in progress at the beginning of the year a capital program of \$18,000,000. Its properties and steamers are connected by one of the largest radio systems, comprising over 90 land and ship stations.

You can also see that its accounting staff does not have to resort to fiction for diversion. It simply deals with facts, the development of which alone affords diversification enough for the ordinary individual from the routine of life.

This is even clearer, when you consider that its army of 68,000 employees, scattered all over the globe,

includes almost every occupation from unskilled labor to highly technical jobs, and its transportation facilities, for example, include ships, railways, automobiles, horses and wagons, bicycles, airplanes, and even camels.

Suffice it to say, such extensive activities involve a veritable avalanche of bills, payrolls, receipts, shipping documents, and papers of every description, all of which must be handled orderly, speedily, and accurately to determine the Company's final status with the least delay at a minimum of expense, and to establish an efficient record for future reference.

How easy it is to overdo. The possibility of overdoing is as easy and often as dangerous as inadequacy of records. The Fruit Company's accounting staff endeavors to avoid the predicament of the army officer who, upon reaching his new post and finding an accumulation of worthless files, wired headquarters for permission to burn them. The answer came back, "Yes, but make copies first."

An accumulation of statistics on all subjects involved in the Company's operations must be constantly at hand and, therefore, the necessity for weeding out useless statistics and confining those kept to useful material is obvious. Further, the use of that material is as vital to the Company's progress as the accumulation is toward the result. In other words, to obtain the fullest value of the statistics compiled, they must be used in a manner that will ensure the greatest advantage.

To that end, it is the practice of the Accounting Department to send to its operating officials (Managers, Accountants, Superintendents, etc.) any figures which are considered of interest and which afford a comparison of

their activities with other similar departments, and the Department Heads take keen interest in comparing their costs with other departments, as it is only natural that each department head is anxious that his results be the most favorable.

The United Fruit Company has a peculiar advantage in its decentralized locations, which afford an opportunity for friendly competition, and it is that competition which gives the Company's executives certain additional advantages which many other concerns do not enjoy.

It is of interest to note how familiar the subjects of articles appearing in trade papers and magazines seem to our organization; for example: "Handling Costs Cut 50%," "Doubling Out-put by Better Methods," "Turnover and Operating Ratios," "20% Cut in Production Cost," "Tracing 28% Operating Loss," "Results of Scientific Management," "Power Costs Cut 14%," "Control of Inventory Factors," "Why Profits Vary," and so on.

There appeared recently a statement by Charles E. Mitchell, President of the National City Bank of New York, in which he said that "the 'hunch' method of carrying on business is giving way to a scientific study of trends and cycles; and there are few large and up-to-date organizations that do not recognize, in some tangible way, the use of statistics in mapping out their business policies." The United Fruit Company has a Statistical Department, inaugurated by President Victor M. Cutter, the purpose of which is to take the "guess" out of sales estimates, a further proof that the Company is endeavoring not only to keep pace with,

but to lead in, progressive and efficient business methods.

The Budget Department also facilitates the efficiency and control of operations by placing in the hands of the Department Heads, comparisons of results with estimates, thus constantly improving the Company's operating estimates.

Another very interesting phase of the Fruit Company's business from the accounting standpoint is the distribution of its products, a subject in itself, which involves the sale of over 48,000,000 bunches of bananas, 400,000,000 pounds of sugar, and by-products. Sales, of course, are related to business conditions in general, and weather.

As most of you know, sales accounting is much more simple than cost accounting. On the other hand, sales statistics are more difficult to interpret through accounts than most other figures, because of their direct relation to general conditions.

There are many guides to general conditions; such as, bank clearings, car loadings, employment statistics, building permits, wholesale prices, etc., and although the banana business is undoubtedly related to some of these factors, it is unique and requires much more than a mere tabulation of figures to establish the efficiency of sales distribution. Further, weather is an element which cannot be predicted except for general seasons. These factors are mentioned simply to make it clear that sales figures, although an important and vital factor, are by no means complete or conclusive in themselves, and it is dangerous to come to conclusions without a thorough knowledge of the practical situation.

No article on the Fruit Company's

accounting system would be complete without an explanation of the manner in which the Company is able to report its results at the close of the year among the first industrials.

It is simple indeed, when it is understood that it has been accomplished only by constant study, for over a decade, of more efficient methods and careful preparation. The Division offices are specifically informed as to what is required and when, and given opportunity to study the requirements and to coach and encourage each individual in the satisfactory accomplishment of his part. The result can only be accomplished by the fullest coöperation of the entire accounting staff, and it is gratifying to record in this paper appreciation of the keen interest and faithful performance of the accounting staff to the lowest clerk.

In further explanation of these methods it is of interest to note that the Company's inventories of merchandise and material and supplies are taken several times during the year under the supervision and direction of the Auditing Department, and the inventories of fixed property once a year under the direction of the Accounting Department. Therefore, its inventories are perpetual and not left until the end of the year when every effort is required for other details of equal importance.

At the specified time, the Division offices telephone, telegraph or cable the condensed results, the accuracy of which is protected in transmission by telegraphic check. It must also be borne in mind that the Company has competent and responsible accountants and auditors located at each of its principal locations, in other words, right

on the properties. Each Division handles its own inventories.

The advantages of such a decentralized system in a company of this size and of many locations are therefore obvious, and contribute greatly to the final result.

In conclusion, it is of interest to note that the Accounting staff of the United Fruit Company delights in slogans, among which are the following and both of which are no doubt familiar to you:

1. Two heads are better than one.
2. "It ain't ignorance that does so much harm, as the knowledge of so damn much that ain't true."—Nye.

### International Congress of Accountants

On the initiative of the American Institute on Accountants a meeting was held in Washington, D. C., on December 30, 1927, to consider the holding of an International Congress of Accounts in the United States in 1929. There were present forty-seven representatives from seventeen different organizations of accountants. After hearing from Dean Madden of New York University, Colonel Montgomery and others who attended the Congress held in Amsterdam in 1926, Colonel Montgomery was unanimously elected as head of a cooperating committee, which is to plan for and have charge of such a Congress in the United States in 1929. It was also decided that Colonel Montgomery is to be President of the Congress.

The place for holding the meeting has not been finally decided, Washington, New York, Cambridge, Chicago and St. Louis all having advocates.

## European Jottings

By WALTER A. STAUB

Just before sailing from New York on the good ship *Nieuw Amsterdam* on October 8th, I was warned by the worthy assistant editor of the L. R. B. & M. JOURNAL that an article for the Journal would be expected from me on my return. Hence on the third day out from Naples, aboard the *Conte Biancamano* heading toward the Straits of Gibraltar "I take pen in hand" to discharge the task awaiting me. The sea is smooth, many passengers are out on the promenade deck, either strolling about or wrapped in their blankets with book in hand, and were it not for the calendar one would not know that it is the 14th of December, and it requires the recent newspaper reports to make one believe that New York has been having extremely cold weather.

Before launching forth on the "jottings" which are to form the substance of this article, I should like to say a word or two about the ship on which we are traveling homeward. The *Conte Biancamano* is only about two years old, is of approximately 25,000 tons (about the same size as the *George Washington* of the United States Lines on which President Wilson made his two trips to the Peace Conference), is well designed (she was built in Glasgow), is splendidly equipped, and rides extremely well. The food and service are excellent in every way and the cleanliness with which the ship is maintained is not surpassed by that on the Dutch boat on which we went to Europe—and we had gained the impression then that the original "Old Dutch Cleanser" was in charge on that vessel!

It was of particular interest to me that we should be traveling on the *Conte Biancamano* ("The White Count") because she is one of the Lloyd Sabaudo Line steamships. This is an Italian line which has come rapidly to the front during the past few years and has established a reputation for the excellence of its ships and the service thereon. About two years ago, when New York bankers brought out an issue of Lloyd Sabaudo bonds, the name of our firm appeared in the bankers' prospectus as having made a general review of the accounts of the company, which are kept at its head office in Genoa, Italy.

An interesting incident of our east-bound ocean voyage was that soon after sailing I discovered one of my deck-chair neighbors to be the counsel for one of our New York clients. He was bound for Holland in connection with some business incident to which our Paris office had recently made an examination. A small world after all!

In reporting on my European trip, I do not wish to write the usual travel account of places visited but rather to note some impressions gained on subjects not directly involved in the usual travel article and which might be of particular interest to a fellow accountant or to a student of economics. Here and there I may digress a bit from this plan when there is something which, for other reasons, proved of especial interest to me.

### England

We landed at Plymouth, the same port from which the Pilgrims sailed on



the Mayflower some 300 odd years earlier for the rock-ribbed coast of New England. I believe there is a tablet at Old Plymouth to commemorate this epochal event, but unfortunately the connection between the arrival of our steamer and the departure of the train for London was so close that we did not have time to look for the tablet. Incidentally, if the Pilgrims received as courteous a farewell from the officials of the port as we did a welcome from the customs officers on our arrival, they must have carried pleasant memories of Plymouth with them and for that reason gave their first settlement in Massachusetts the same name. Only three other passengers besides Mrs. Staub and myself landed at Plymouth (the ship's destination being Rotterdam, with another call at Boulogne, France), so that no special boat train was provided for us. The customs officers, knowing of the extremely close connection with one of the regular trains from Plymouth to London gave us especially expeditious attention and assisted us in securing carriages for ourselves and baggage from pier to railroad station. This was typical of the courteous treatment we experienced throughout our short stay in England.

The train ride of something over four hours to London over the Great Western Railway was delightful. The road bed was very smooth, the traveling time fast, and the ride was through one of the prettiest of England's countrysides, which was decked out in beautiful autumn colors. I was interested in the dining car organization and service. Due to the general use of the table d'hôte plan, rather than a la carte, and the assignment of seats in advance of the meal (somewhat

similar to the plan followed on the Congressional Limited between Washington and New York), the serving of lunch was accomplished in an expeditious manner by a much smaller number of attendants than the staff of colored gentlemen who officiate in our dining cars.

While in London I naturally called to pay my respects at the office of Messrs. Jackson, Pixley & Co. with whom we have for so many years had reciprocal relations. It was a pleasure to renew with Colonel Pixley, the senior member of the firm, the contact first had with him at the time of the Congress of Accountants in St. Louis in 1904 and again when I had visited London in 1913. Colonel Pixley is of that type of English gentleman and professional man who is known the world over for his culture, ability and courtesy. He insisted on arranging for luncheon on the following day with himself and Mr. Binnie, one of the other members of the firm who was out of town on the day I called.

The luncheon was an admirable combination of business and pleasure. It afforded an opportunity to discuss some matters of mutual interest to our firms, and at the same time the lighter conversation which aids digestion was not lacking. Mr. Binnie's ancestry is in part Scotch; Colonel Pixley delights in the former's inexhaustible store of Scotch stories and jokes and I heard a number which were new to me. I wondered whether we had heard any in the United States which had not yet reached Mr. Binnie, but only one of those which I had heard at the annual dinner of the Scotch-Irish Society of Pennsylvania, or which had been told me by Mr. Dumbrille, or



which had come to me from other sources was new to Mr. Binnie.

On the way to our hotel from Messrs. Jackson, Pixley & Co.'s offices, I dropped in at the Bank of England—"The Old Lady of Threadneedle Street"—and was much interested in seeing that part of the quarters to which the ordinary visitor is admitted; also, I read the manuscript statement of the bank's condition (signed, I think, by the governor of the bank) which is posted in the corridor, as well as the statement of the Bank of England's note issues and redemptions. To judge from the large totals (though I do not now recall the figures), the latter statement must be cumulative from the organization of the bank some centuries ago.

We allowed our desire for a new travel experience to induce us to go by airplane from London to Paris. Two lines maintain regular air services between London and Paris, one an English company, the Imperial Airways, Limited, and the other a French company, the Air Union. We went by the former route, the plane carrying fourteen passengers, with room for two more, and having a compartment for baggage. A charge of four pence is made on each pound of baggage in excess of thirty pounds per passenger. Before starting not only the baggage is weighed but also each passenger, evidently to make certain that the aggregate carrying capacity of the plane is not exceeded. However, I saw nothing in the published regulations to indicate a limit on the weight of individual passengers. Hence, I assume Falstaff would pay no larger fare than any one of more modest weight.

The plane in which we flew traveled

at a height varying between 1,500 and 2,500 feet. At the start the atmosphere was a bit hazy but not sufficiently so to prevent our seeing the changing landscape below us. The houses, fields, woods and roads could be distinctly seen and combined to make a pretty sight. By the time we reached the English Channel the air had become clearer and while we were over France the sun was out and added to the charm of the French villages, and farms which were in sight. We could clearly make out the railroads and canals which were also in the picture. When we arrived at LeBourget we got a bit of a thrill from the realization that we were landing at the same spot where Lindbergh had completed his history making flight across the Atlantic but a few months before.

I was interested to read some time later in the Paris edition of the *Chicago Tribune* a report that since January 1, 1925, airplanes of the Imperial Airways, Ltd., had flown a total of about 2,500,000 miles on different routes without injury to a single passenger.

Commercial air services have become widespread on the continent of Europe and one may readily travel on regular schedule such routes as (a) London, Paris, Lyons, Marseilles and Geneva; (b) Paris, Cologne, Essen and Berlin; (c) London, Amsterdam, Hanover, Berlin, Danzig, Königsberg and Moscow; (d) Paris, Strasbourg, Nürnberg, Prague, Vienna, Budapest, Belgrade, Bucharest and Constantinople, and many others. When one considers the development of commercial aviation in Europe it seems remarkable that there has as yet been practically no development along this line in the United States. In view of

the greater distances in our own country and the consequently greater saving of time to be effected in traveling by airplane instead of by rail, it is all the more remarkable that Europe should be so far ahead of us in this field.

The latest thing which we noticed in the field of commercial aviation was the advertisement of a thirty-five day air cruise this winter through France, Spain, Northern Africa and Italy. The entire cruise will be made by airplane, about twenty-five places will be visited by airplane and a number of side trips made by automobile, hotel accommodations will be engaged ahead, and there is to be provision for passengers sending fresh linen ahead to Algiers and Naples which they will pick up on arrival at those points and at the same time send used linen home. All the details, including the handling of the cases with linen, will be taken care of by the airplane service.

#### France

"Going to the office" has been a habit with me for so many years that naturally the first thing I did after getting to Paris, securing hotel accommodations and getting rid of our luggage, was to call at our Paris office. There I established contact with Mr. A. T. Davies who is in charge of that office. Throughout our stay, not only in Paris but elsewhere in Europe as well, we enjoyed numerous services rendered by the Paris office such as the forwarding of our mail and the like, which added considerably to the comfort of our trip.

During my school days I had had three years study of French but lack of opportunity for its use had long since caused me to lose most of what familiarity with it I might once have

had. However, I was desirous of trying out what little of it I still retained and I quickly had opportunity to do so. I wanted to make sure that I was headed in the right direction for our Paris office and in my fragmentary French asked a gentleman whether I was going toward the Boulevard des Italiens (off which runs the Rue des Italiens, on which our office is located). He reassured me with his "Oui, oui," and we went our respective ways. Mrs. Staub, who was walking with me, and whose faith in my command of French was apparently not overwhelming, turned to me in surprise and said, "Why he understood you, didn't he!"

A thing which emphasizes one's arrival in a foreign country is the strange currency in which one must forthwith deal, whether it be the taxi fare, rate for the hotel room, meals or purchases in the shops. One finds it necessary to be constantly making conversions from the foreign currency into its American equivalent. To be told that the price of some article is 240 francs means nothing to the American until he makes a mental calculation and finds that at the ruling rate of approximately four cents for the French franc, the article will cost \$9.60.

During the ten days we were in or near Paris there was practically no fluctuation in the current value of the franc and from surface indications at least, it would appear that it has been practically stabilized at about four cents. Some time after leaving Paris I read in the report of a speech by Premier Poincaré that he expressed the opinion that the franc had been stabilized and served notice on his political opponents that regardless of which political party might be in power

certain conditions must be continuously met if a recurrence to the troubled currency conditions of only a short time ago was not to be experienced.

One of the daily wireless bulletins on board ship has just included a Paris dispatch, stating that Premier Poincaré has told the French senate that before the end of the year the French Treasury will repay one billion francs to the Bank of France toward reduction of the debt to the bank. This would seem to be an indication of stabilization of France's currency position.

Any one who handled the "shin plasters" of our Civil War days must feel right at home with the French paper fractional currency. There is practically no silver money in circulation in France today. For the franc and fractional parts thereof nickel or other base metal coins are used. For five and ten francs (worth twenty and forty cents, respectively) paper notes about the size of United Cigar Stores coupons are in use. The notes for one hundred francs are larger, and the five hundred and one thousand franc notes still larger. It takes some time until one becomes accustomed to foreign paper money. It looks so cheap in both quality of paper and character of printing that, to one accustomed to the fine quality of American paper currency, it hardly looks like the equivalent or representative of money. I don't understand why it isn't more widely counterfeited because it looks as though only a stock of cheap paper, a job printing press and an average job printer would be needed to get out a goodly issue of it. The fine plates which counterfeiters in the United States find it necessary to make would apparently not be needed to repro-

duce the French or Italian paper currency of today.

Limitations of time did not permit of our making any extended tour of the battlefields. We had to content ourselves with a visit to Belleau Wood and Chateau Thierry, going over the road used by the army which Gallieni sent to the first battle of the Marne in a fleet of Paris taxicabs. At the point where the taxicabs dropped the soldiers there is now a statue of Gallieni facing toward the River Marne. I can not help moralizing on how the man of genius or resourcefulness utilizes the means at hand to accomplish his purpose, regardless of whether they were expressly designed therefor or not.

Most of the devastation in this region which had occurred during the first and second battles of the Marne had been made good. Many, if not the majority, of the houses, barns and other buildings in everyday use had been rebuilt or extensively repaired. New red tile roofs were the general rule. Only here and there were the ruins of a church or of some house which had not yet been rebuilt. They were sufficient, however, to enable us to visualize the terrible destructiveness of modern warfare. The amount of reconstruction necessary in these villages, which were in the war zone only a relatively small part of the four years, and during the first battle of the Marne were only slightly damaged, gave me some idea of the tremendous financial burden which the reconstruction of the devastated regions has imposed on France. Now that the reconstruction has for the greatest part been completed, it ought to be easier for France to keep her budget balanced and to meet the obligations of a reason-

able settlement of her debt to the United States.

In view of what one hears at home as to the failure of the European nations to give us any credit for having made a decisive contribution to the winning of the war by the allies—even Marshal Haig having been reported to that effect—I was interested in the attitude of the guide who took us to and through Belleau Wood and Chateau Thierry. To be sure, he is not one of the statesmen or military authorities of Europe, but then I am always interested in getting the views, not only of those in positions of authority and power, but also of "the man in the street." Our guide had English facial characteristics, French vivacity, quite a fluent English with London accent, a philosophic temperament and he had served in the French army throughout the war.

Perhaps he was influenced by the fact that he was talking to Americans, but to me he seemed perfectly sincere, as he described the movements of the contending forces, pointed out the difficult position occupied by the American troops, and emphasized the crucial and decisive character of the services of our boys in stopping the German drive of 1918 and keeping the enemy out of Paris. When it is remembered that the Germans got about as close to Paris as New Brunswick is to New York, it can be readily seen by what a narrow margin the enemy was prevented from plucking this plum. As to the possibility or probability of another general European or world war our guide was quite philosophic; with a shrug of the shoulders he expressed the opinion that as long as there were men there would be wars but that the rising generation would have to fight

the next war as he would be too old to participate when it came. Surely, it is to be hoped that he is wrong and that mankind will learn in time that there are better ways of settling disputes than by resorting to national fisticuffs!

We spent some days in visiting the so-called chateaux country to the south of Paris and in viewing the palaces at Fontainebleau and Versailles. By way of incidental explanation, I might mention that "chateau" is the equivalent of the English word "castle." I was keenly interested in the architecture of the different periods, the landscape and the beautiful gardens in some places, and the fine old furniture which we saw in some of the chateaux, though most of them are either sparsely furnished or not at all, the furnishings having been removed or destroyed at the time of the French Revolution. However, it is not of these things, which are obvious to every tourist, that I want to make particular mention, but rather the impression which I got of their effect on the economic condition of France before, and their contribution to, the breaking out of the Revolution.

When one views these structures and is told of the time and labor required for their construction—for example, Chambord, which was intended primarily for a hunting lodge, was stated to have required the work of 1,800 men for 15 years—and then considers that not only was a huge investment being made which in itself was non-productive, but also one that required a large continuing expenditure for operation and maintenance, and that from an economic standpoint this was in effect a charge upon the productive labor of the country, one

begins to realize the crushing burden on the common people, which eventually became so heavy that they rose in insurrection. Well might Louis XIV say, as he made his lavish expenditures \*—with taxation doubtless in proportion—"after us, the deluge!" It reminds me of the political after effects of Solomon's magnificent building program in Jerusalem, the Biblical account of which those interested will find in the 10th Chapter of the Old Testament book of II Chronicles.

While in the chateaux country, we alighted one evening at a hotel in Tours where we were to stay over night. On reading a tablet, which I noticed on the wall of the building near the entrance, I found that it commemorated the fact of the general headquarters of the supply service of the American Army having been located in this hotel during the world war. Just one of those things which is not mentioned in guide books, but which naturally interests the American traveler.

In Paris I noticed in the newspapers an agitation for the repeal of the "octroi", an old form of taxation which is found not only in France but also in Italy as we noticed it being used in Sicily and at Naples. It appears to be a survival of the times when cities were sometimes independent political units, such as the Free City of Danzig is today. All produce or other merchandise brought into Paris from the surrounding country is subjected to the tax.

\* The cost of the palace, gardens and works of art at Versailles, which were constructed during the 17th century, is estimated at \$100,000,000. This, it is to be borne in mind, was at a time when money had a purchasing power probably five to six times that of today. Louis XIV took up his residence at Versailles in 1682. The accountant is interested in the statement in the *Encyclopaedia Britannica* that the king destroyed the accounts. It sounds as though he feared the results of an audit!

The autoist purchasing gasoline outside of Paris and coming into the city with it in his tank must pay the octroi tax thereon. There is a special system in use at the various "gates" of Paris to prevent the duplicate imposition of the tax. When an autoist is leaving the city, he states to the attendant the quantity of gasoline in his tank and is given a ticket on which such quantity is indicated. On his return to the city, whether by the same gate or another, he surrenders the ticket and states the quantity now in his tank. If the quantity is larger than that shown by the ticket, tax must be paid on the excess.

It is the tax on gasoline that appears to be particularly objectionable to those agitating for the abolition of the octroi. The charge is made, too, that the cost of collection is excessive, only a small part of the total gross takings remaining for the city treasury. One of the difficulties in the way of abolition is to find a new source of revenue to replace it, the statement being made that the annual revenue from the octroi is about 400,000,000 francs, equal to approximately \$16,000,000 in United States currency.

I regretted that limitations of time did not permit of going to Berlin as I should have liked to visit our office in that city. While we were abroad the note from S. Parker Gilbert, the Reparations General, to the German Government on financial tendencies in Germany and dangers inherent therein, and the reply of the German Government received considerable attention in the newspapers which I was reading (the Paris editions of the *New York Herald* and *Chicago Tribune*, and several of the Swiss papers). The large loans which had been obtained from America by German states, municipali-

ties and industrial concerns were a prominent subject of comment in this interchange of communications. There were indications that there would be at least a temporary slowing down in the making of such loans.

If the consideration of the subject results in a closer inquiry into the use to be made of the funds obtained from American financing, especially by the German states and municipalities, the effect can be only beneficial. So far as concerns the financing of industrial and commercial companies, which are well managed and which will make productive use of such financing, it will doubtless continue and any slowing up must be only temporary. Economic laws will operate, and surplus capital seeking investment must eventually contact with the need for capital which promises profitable use thereof.

One of the items of financial news which appeared while we were abroad was a dispatch that one of the prominent New York law firms had given an opinion that in the purchase of available foreign exchange, "reparation payments should be given a position subordinate to the requirements of foreign held securities and commercial transactions." Obviously, this is a most important consideration in this subject of American loans to German industrials.

Among the gifts which kind friends sent to the ship to make our ocean voyage the pleasanter, were several books from the members of the tax department of the New York office, one of them being entitled "How to Find Old Paris." One afternoon we started out to take one of the walks of exploration which are outlined in the book. We started at Notre Dame and progressed from one point to an-

other, locating the various points of interest mentioned in the book and reading the comments therein.

The walk took us across the Seine to its right bank and eventually we reached a point where the book read as follows:

At the end of the Rue Venise, turn to the right in Beaubourg, and go to Simon-le-Franc, which sounds as though it might be meant for Simple Simon. There are several problems for the etymologists in this immediate neighbourhood, and they can start to work on this one, if they please. At number 29 in Simple Simon is what seems to be a crack between 29 and 31, but it isn't; it is Brisemiché, and this claims your attention next. You might read this before you plunge into this little Canon, for it is almost as picturesque as Venise, as Mr. Villebresme and I agree, and for reasons that I shall elaborate soon is better studied from the outside in than from the inside out. The general run of the streets in this quarter are even narrower than their Left Bank contemporaries, for the good reason that this was the commercial part of Old Paris, and the population greater, and hence building space less than on the other side, which was the intellectual part of the town. There are always more people interested in making money than in making ideas. So Venise and Brisemiché are exceedingly narrow, and throughout all the history of Paris exceedingly turbulent and inhospitable.

That does not mean that they did not extend a warm welcome to guests, especially uninvited ones, to whom a warm and open-handed reception was given. Every revolutionary movement in Paris had some of its most violent scenes enacted in these two streets and around the church of Saint-Merri, and the last stand of the revolutionists of 1832 was right in this neighbourhood, and some of it is this very street. This tendency is presented at once by the large hook about eight feet up on the first house to the right as you enter Brisemiché. Look at it respectfully, because as far as I know positively, there is only one other of its former brothers still in existence in all Paris. I am pretty sure that there are others, and there is at least one that has raised a question in my mind, as you will see later, but I answer

only for what I know, and the statement will have to stand. It is there for a very sinister intent. This is one of the books that held the big chains with which the inhabitants of Brisemiche barred their street when they wanted to be by themselves. As soon as the alarm signal sounded, up and across went the chains, and those who found themselves uninvited in Brisemiche, were in for an exciting quarter of an hour. You are still outside, remember, and as you look down the little street you can sympathize deeply with those out-of-luck wights. Think of it, all dressed up and nowhere to go, while the hospitable dwellers poured down on them whatever came to hand—furniture, bric-à-brac, and lethal weapons of all sorts, solid and liquid. I never go down Brisemiche that I do not remember those scenes and my own experience in Saint-Julien-le-Pauvre, and offer up a prayer to Billiken.

That old advantage-over-visitors complex is still floating in the air here, and it is the only street in Paris in which I do not feel entirely comfortable. The inhabitants, without being downright disagreeable about it, always instil in me a desire to keep moving. I am not undignified about it, you understand, but I do manage not to take root. About the third time I went down it, going slowly, as was my wont, I was asked pointedly what I was doing. I gave my usual answer, that I was a lover of Old Paris, and— This was as far as I got on that sentence. The gentleman suggested gloomily that I move along and do my loving somewhere else, and I obeyed him implicitly and at once, in dire dread of the windows above. Nothing might have happened had I disregarded this suggestion, but for once I was not inquisitive, and anyhow, it seemed to me a motion to adjourn, and so not debatable. So I did not learn much that trip. However, I have been through many times since, and en passant it seemed to me that numbers 20, 23, 26, and 29 are a little more picturesque than the others. I don't insist on this, because I did not stop to investigate closely.

Mrs. Staub had been getting an increasingly uneasy feeling as one street after another through which the book led us was narrower than its predecessor. As we came in sight of Brise-

miche, which I must admit was extremely narrow and certainly had a forbidding appearance, she refused to go any further and begged me to desist from any further exploration in Old Paris.

It was becoming dusk and as I stood looking up the narrow street and meditated on whether or not to enter, I had an experience somewhat similar to that of the author of the book. Two men, one white and the other I assume Senegalese, as he was colored and spoke French, came up to me and so far as I could understand them, they inquired my mission in this quarter. In my ragged French I informed them that I was looking around.

At this point the conversation reached an impasse for a moment or two, then it seemed to dawn on the Senegalese that I was an American. He asked me if I were an American and when I replied in the affirmative, asked me where from. When I told him from New York his rather unfriendly expression changed and he informed me that he had once been aboard ship and had visited San Francisco.

I took advantage of this change of conversational weather to make my adieus and rejoin Mrs. Staub who had been standing a few feet away from us. She hadn't been at all impressed with the appearance of my interlocutors and insisted firmly that my duty toward both Old Paris and our tax department had been fully discharged and that there would be no more exploring that day. Like a wise husband, who knows, that in the words of Solomon, "there is a time for everything," I offered no opposition and the motion was unanimously carried.



### Switzerland

At no time during or since the war has there been currency inflation in Switzerland. The franc, which has the same par as the French franc and the Italian lira (all three countries were members of the Latin Monetary Convention) has continued at an exchange value of approximately the par of 19.3 cents. This very fact has caused the cost of living to continue at a high level and has also made it difficult for Switzerland to compete with European countries, whose currencies were debased, in competitive fields of business.

The condition was similar to that obtaining when two concerns compete with each other for a given piece of business, one keeping accurate cost accounts and knowing the full cost of its products and the other determining its costs "by guess and by gosh" and almost certainly underestimating them. How can you compete with a concern which, whether knowingly or unwittingly, is selling below cost? One of the effects of an inflated currency has been practically selling below cost. This explains why in a country like Germany, which is the outstanding example of currency inflation carried to the extreme, the industries became denuded of working capital and have had to borrow hundreds of millions of dollars abroad to get new working capital.

The high cost of living also had its effect on the tourist travel in Switzerland for some time, not merely during the years of the war, but thereafter as well. Obviously, most people in other countries in Europe where currency inflation ruled could no longer travel for pleasure in a country where inflation had not occurred and exchange

was still at par. Only the greatly increased American tourist travel in Europe has alleviated this situation.

The Swiss people are struggling with some difficult economic problems. Aside from water power, the country has no natural resources. The mountains are apparently useful only for scenic purposes and do not contain any of those mineral resources which are found in the mountains of some other countries. The burden of taxation presses heavily on the people at the present time.

Although Switzerland did not enter the world war she incurred a heavy debt as the result of the war. Her army was mobilized during the entire war period for the purpose of guarding her frontiers and preventing either the Central Powers or the Allies from passing through the country. This required heavier expenditures than could be met from the normal revenues and had to be defrayed from loans. The national debt has been further increased by the expenditures for electrifying the railways, almost the entire mileage of which is owned by the national government. Doubtless one of the reasons for the electrification program is to utilize more of the "white coal" of which Switzerland has an abundance and to reduce the use of black coal, all of which has to be imported. Reduced expenses of operation, and the desirability of reducing imports, may justify the electrification of the railways, but in the meantime the charges on the indebtedness required for these capital expenditures are adding to the burden of taxation.

How changing fashions may affect an industry is well indicated by the almost complete extinction of the once prosperous silk ribbon manufacturing

industry of Switzerland. This industry had its seat in the city of Bâle, where the raw silk was twisted or thrown, then made into warps and, to a large extent, the warps sent by parcel post to the rural communities, where the warps were put on looms and woven into ribbon, which was in turn sent to the manufacturers in Bâle by parcel post.

This work in the homes, which was often done by the housewife, furnished a cash income which supplemented the meager income derived from the dairying and farming. The income from the latter sources is small because the Swiss farms are very small and the opportunity for the use of labor saving machinery is limited.

At one time silk ribbons were widely used in adorning the hair and as ornaments on, and sashes with, dresses. The advent of bobbed hair and the present styles of dresses have caused the almost complete elimination of the use of ribbon with the consequence that the Swiss silk ribbon industry has shrunk to a mere tithe of what it once was. The looms in the homes of farmers were owned by the manufacturers in Bâle. In some cases they have been withdrawn to Bâle and placed in storage—in the hope, doubtless, that the cycle of fashion will again bring better days for the industry—and in other cases more pessimistic manufacturers have authorized the farmers to destroy the looms and chop the wooden parts into firewood. Incidentally, because of the absence of any coal deposits in Switzerland, firewood is an important commodity in Switzerland, and not only trees that may be cut down specifically for firewood, but also any trimmings from fruit trees and the like, are carefully gathered and

economically used. In this little country with its limited resources, but with an intelligent and well educated people, "conservation" is carried to its extreme limit and waste is anathema.

During the greater portion of the two weeks we were in Switzerland we were favored with fine weather. The autumn was unusually late this year and the first day we were in Interlaken we had fine views of the noted Jungfrau and of other peaks of the Bernese Oberland. The next day rain set in, the following day snow, and winter was apparently descending upon Switzerland. We were, therefore, glad a few days later to turn our faces southward, and as we got on the other side of the Alps we shared the feelings of Napoleon's soldiers when they saw the plains of Northern Italy.

#### Italy

We found a different Italy from what we had been led to believe might be awaiting us. A Canadian lady whom we met in Lucerne warned us that we would not like Italy. She had been traveling for almost a year in New Zealand, Australia and the Far East and had but recently spent a few days in Italy while en route from Marseilles to Switzerland and should apparently have been qualified to form a dependable judgment. She told us that Italy was still using war bread, that theft in the hotels was common, that soldiers were everywhere, and that generally we would find an unfavorable contrast to France and Switzerland.

I don't know just where the dear lady could have been in Italy—presumably she had stopped at first class hotels in Italy, because she was stopping at the best hotel in Lucerne when we met her—but our experiences in

Italy were just the reverse of what she had warned us to expect. Without exception, the various hotels at which we stopped in Milan, Venice, Florence, Rome, Naples and at several places in the island of Sicily, were very satisfactory. The rooms were pleasant, well furnished and perfectly clean, the food was good, the employees were courteous and eager to serve, and the system of adding a percentage to the hotel bill (usually 10 per cent.) had replaced tipping.

Everywhere one goes one is impressed by the improved conditions which have been brought about under the regime of Mussolini. Every accomplishment of the past several years is ascribed to Mussolini, whether it be the practical elimination of the begging nuisance, the construction of a new express railway line between Rome and Naples, the provision of a new and more adequate water supply for the city of Naples, the suppression of the Mafia or Black Hand in Sicily, the improvement of the service on the state owned Italian railway system, the establishment of harmonious relations between employers and workmen, or the construction of new apartments for the working classes in place of disreputable tenements in Rome which have been torn down.

The new spirit which he has infused into the Italian people in the brief time he has been in power is nothing short of marvelous. I talked with numerous people in Italy about him, about the conditions which obtained prior to and at the time of his coming into power, about the conditions today, and about the position which he occupies in the opinion of the various classes of the people today. The universal reply is that Mussolini is a man of extraordi-

nary force and energy who found Italy drifting into a condition similar to that obtaining in Russia and that he has rendered, and is still rendering, service of tremendous value to his country. There is every indication that he has the hearty support of the business interests and at the same time a strong following among the masses.

Just last evening I had a long talk with a fellow passenger, an Italian gentleman who has lived in the United States for many years and whose son is a Harvard graduate. The father is interested in a cotton mill in Italy and stated that the Mussolini regime is costing him money as every manufacturer is required to devote a certain part of his profits to social work in the interest of his employees. He was nevertheless enthusiastic about Mussolini and what he was accomplishing for the Italian people. He told of one thing after another which the Socialist party had failed to accomplish during the forty-five years it had been in political power in Italy, whereas Mussolini had put it into effect in the four years he had been in power. He told of what he (my fellow passenger) and his associates are doing in their own mill, in the way of better housing for employees, of helpful training which is being given them, of better wages being paid, etc. His feeling is that coöperative work is now being done for the elevation of the common people in Italy.

It is rather surprising that, although both have the same par of exchange, the present value of the Italian lira in American money is about  $5\frac{1}{2}$  \* cents, whereas it is only around 4 cents for the French franc.

\* The day we landed at New York, December 22, the newspapers contained the announcement that the lira had been officially stabilized at 19 lire to the dollar, that is approximately  $5\frac{3}{4}$  cents.

A number of factors are doubtless responsible for this wide disparity and I do not pretend to say just what they are; one theory is that it is primarily due to the much larger debt which France has than Italy.

Only recently silver coins have again been placed in circulation in Italy; the 5 and 10 lire pieces (worth slightly more than our 25 and 50 cent pieces) have real artistic merit. The paper 5 and 10 lire pieces are to be retired from circulation in 1928.

The rise of the lira has had the effect of increasing materially the cost of tourist travel in Italy and unless prices are lowered to correspond—some reductions have been made in hotel rates and similar travel costs, but not equal to the rise in the exchange value of the lira—there may be some decrease in tourist travel in Italy, particularly of those people who would otherwise spend considerable time there. Our experience was that it cost us just about as much to stay at hotels in Rome, Naples, Venice and Milan as it would in first class hotels in New York or Chicago. Many, if not the majority of, tourists have decided limitations on the amount they may expend and consequently, when travel costs become high in a given country, either the country is stricken from the itinerary or the length of stay in it is reduced.

In Milan I had the pleasure of calling at the office of what was formerly a branch of one of our New York corporation clients, but which is now an independent company acting as an agent for our New York client. I was very courteously received and had an interesting interview with the managing director of the company and one of his colleagues. I am pleased that

arrangements have just been made by which the new corporation in Milan also becomes one of our clients; audits of its accounts will be made by our Paris office.

In Rome we had another of those little experiences which become a pleasant travel recollection. On Sunday morning we attended service at the Methodist Episcopal Church—incidentally, that church has a vigorous work in Rome, including an Italian church, an English speaking church which ministers principally to visitors to Rome, and a fine school for boys and young men—and met among others the United States Vice-Consul and his wife. At the present time he is the acting consul as the consul is on furlough. He was interested in knowing my business connections and when I started to mention our firm name he completed it for me. Before entering the consular service he had been for several years a member of the staff of a Philadelphia accountant. He told me that at one time he had been on the point of entering our Philadelphia office and for that reason recalled our firm name so distinctly. Both he and his wife were graduates of Temple University in Philadelphia. Naturally our common interest in Philadelphia could not be satisfied with a passing word. Consequently, we were invited to their home for tea that afternoon and we reciprocated by having them to dinner with us the following evening, our last in Rome.

We spent a week in Sicily which we found to be a decidedly interesting place. I had not before fully realized to what a height of power and grandeur the Greek settlements there had risen prior to the conquest of Greece by Rome. It appears that Syracuse,

Girgenti and other Greek colonies in Sicily surpassed even the mother country. I was quite rusty on Greek history and received somewhat of a jolt when I found that Archimedes, the famous mathematician—and warrior, too—had not lived all his life in Greece but for many years lived at Syracuse in Sicily and in fact died in one of the battles fought there.

I was very sorry not to have had time to visit Girgenti, where there are several relatively well preserved Greek temples. From the ruins which we saw at Syracuse, however, and at Taormina, where there was a magnificent Greek theatre, we could readily visualize the splendor of the architecture—and doubtless of the sculpture—which characterized the Greek period in the history of Sicily. That island has indeed had a troubled history, having been successively under the domination of Greeks, Romans, Saracens, French, Germans and Spanish, and coming into its own only when Garibaldi undertook the campaign of liberation some sixty years ago.

I was especially interested in the economic condition of Sicily. It is almost wholly agricultural, and with the exception of the families having large land holdings, who are reputed to be wealthy, most of the people are very poor. We took an auto ride one day in the district around Mount Etna and passed through quite a number of villages, inhabited by the people who till the soil (in Europe agricultural workers usually live in villages and not on the farms as in America) and by small shopkeepers. The most primitive conditions obtained, entire families frequently living in a single room. While I did not constitute myself a plumbing inspector to establish the

fact, I do not doubt that more than one of the villages through which we passed did not contain a single bath tub.

Nature has, however, endowed Sicily with a generous climate. The sun shines warmly, there is never any snow, and there is only a very short season each year when there is not a profusion of flowers in evidence. Oranges and lemons grow readily and abundantly and form the mainstay of Sicily's crops, though other fruits and likewise vegetables are also raised. Consequently, the poverty of the people does not extend to an actual lack of food.

One day at our hotel in Taormina (Sicily) several nuns from a convent in the village brought linens, which had been made by girls in the convent school, for the inspection of the guests. After Mrs. Staub had made a purchase I got into conversation with one of the nuns who spoke English. When I asked her where she had acquired her excellent English, she told me that she had been born in Ireland and since becoming a member of the Franciscan order had spent periods of service in London, Malta and now in Taormina. She further stated that she had worked among families in the East End of London, where there was sometimes actual suffering for food, but that in Sicily she never knew this to be the case. The people might be very poor in other respects but they never had to go hungry.

The combination of a ready supply of food and a hot climate tends to a lack of energy and ambition among the people. On the other hand I should also mention that we saw in our limited observation ample evidence of hard work, especially by the women. They

have to work in the fields and frequently we saw the lord and master of the family riding on the family live stock—the donkey is still the general means of transportation and of field work in Sicily—with the wife trudging on behind. Sicily is a man's world, all right.

While walking along the Partenope, the fine street which runs along the waterfront in Naples, I noticed with interest that a splendid building just completed bore the inscription of *Regio Istituto Superiore di Scienze Economiche e Commerciali*, or the Royal Higher Institute of Economic and Commercial Science. It was an indication that the land in which double entry bookkeeping is supposed to have had its origin \* is still giving serious attention to the scientific side of business and of commercial practice.

After making a trip such as we have been privileged to make for the past several months, and seeing a wealth of places and things which are of interest from various viewpoints—history, architecture, local customs, civics, art—one naturally asks himself what one place or thing made the greatest impression. For me, I think the greatest thrill came when we stood in the forum in Rome and as the remains or site of each of the magnificent structures which once stood there were pointed out, I reconstructed in my mind's eye the grandeur that symbolized the accomplishments and power of the Roman Empire. After discounting fully the selfishness of the motives which actuated the conquests

and the rise to power of Rome—and that empire apotheosized the principle of force in its dealings with other peoples—one must still admire the marvelous achievements in almost every field of human endeavor in its time, a time, too, when the tools and means of today were not yet available. Even after the fall of the Roman empire, the world continued to enjoy the benefit of such bequests as the influence of Roman law on the systems of jurisprudence which are in effect in civilized countries today.

On the other hand, I could not help thinking how appropriately Kipling's *Recessional* might have been addressed to Rome at the zenith of her power—and, also, to modern nations which may pursue a purely materialistic policy like that of Rome.

### Notes

Mr. J. Marvin Haynes of our Washington office was the speaker at the December 1, 1927, meeting of the Cincinnati chapter of the National Association of Cost Accountants. Mr. Haynes' topic was "The Income Tax Law and Good Accounting Practice." A very lively question period followed during which an unusual number of interesting points were discussed.

Mr. A. T. Davies, who has charge of our Paris and Berlin offices, made a year end visit to this country, calling at our offices in New York, Philadelphia, Chicago, Boston and Washington, and also meeting a number of our clients in these cities.

Mr. H. A. Tufel of our New York office has been appointed instructor on Federal Income Tax Procedure at New York Chapter, American Institute of Banking.

\* The first edition of Luca Paciolo's *Everything about Arithmetic, Geometry and Proportion*, which also contained an explanation of double entry bookkeeping as then understood, was published at Venice in 1494. I note, however, that in the *Encyclopedia Britannica* the opinion is expressed that the system had been in use for something like 200 years prior to that date.

## "Old Bullion"

It will be of interest to the members of our organization to learn that Mr. Lybrand has recently become a member of the Advisory Board of the Madison Avenue Branch of the Chemical National Bank of New York. The President of the Bank, Mr. Percy H. Johnston, gave a dinner at Sherry's on the evening of January 4, 1928 for the advisory boards of the seven branches of the bank, to introduce them to the Directors. The occasion was reported in the *New York Times* as follows:

Mr. Johnston touched on some of the high points in the history of the bank, which was chartered in 1824 and which in the panic of 1857 earned the name "Old Bullion" by being the only bank in New York that did not suspend specie payments. He said the first cashier of the bank received a salary of \$1,500 a year and slept upstairs over the banking quarters so that he could personally contribute to its safety. The bank has two accounts that have been on its books 103 years, and several families have been represented either as directors or depositors through the third and fourth generations.

Mr. Johnston cited the dividend record of the bank, which included a stock dividend of 900 per cent. in the panic year of 1907 and another of \$500,000 last January, in addition to regular dividends.

Irvin S. Cobb, a member of the Times Square Advisory Board, told the bankers that his appointment was the first recognition of his financial genius and that for years the only notice accorded him by the banking world was communications stating that his account seemed to be overdrawn.

"I am sure I have offered some excellent suggestions to my associates," he said. "For example, it was my idea that we remove the inscriptions 'receiving teller' and 'loan department' from above two of the wickets in our office and substitute signboards bearing the simple, graphic words 'yes' and 'no'."

Mr. Cobb said that he earned the twenty-dollar gold pieces which are the customary honorariums for attending board meetings, as it is worth that much to "feel as ignorant and look as wise" as he did.

A number of other interesting facts concerning the history of the bank were given in the artistic dinner menu. On the cover appeared two pictures, one showing the first home of the bank in 1824, a modest one-story building in a rural setting; and the other showing the new home in 1928, a fine stone building of attractive architecture now in course of construction on lower Broadway.

The birthplace of the bank was in Greenwich Village where the Chemical Manufacturing Company was located. On April 1, 1824 the charter was amended to permit of general banking business. On August 2 the bank was opened for business at 216 Broadway opposite St. Paul's church and next door to the American Museum, later Barnum's.

The statement as of February 2, 1829 showed capital of \$500,000, surplus of \$4,074 and deposits of \$212,692. It will be noted that the capital was over twice the amount of the deposits, a ratio of capital to deposits which it would be almost impossible to find in banking circles today. In modern banking, \$1 of capital or surplus for each \$7 or \$8 of deposits would be considered reasonably good practice.\*

Since its opening the bank has had only eight presidents and thirty-five directors. Two families have been represented on the Board since the inception of the bank. It is a remarkable fact that during every financial crisis the bank's deposits have grown, an indication of the great confidence in its stability.

\* See Montgomery's *Financial Handbook*, page 1227.



## The L. R. B. & M. Journal [Covering A Wide Range]

Published by Lybrand, Ross Bros. and Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvements; to encourage and maintain a proper spirit of cooperation and interest and to help in the solution of common problems.

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It is a far cry from the plantations conducted by the United Fruit Company in Central America, Cuba and Jamaica, to the ribbon industry in Bâle, Switzerland, so it may well be said that by including in the present issue articles covering such widely separated points we are truly covering a wide range.

We are indebted to Mr. Cecil B. Taylor, Comptroller of the United Fruit Company, for his article "Blazing an Accounting Trail," wherein he describes the difficulties encountered in endeavoring to set up accounting records and procedure in the early days of the United Fruit Company, when there were no precedents for methods of obtaining helpful data. The reader of this article will doubtless be impressed with the magnitude of the fruit company's business. To those who thought that the main product of the fruit company was bananas the fact that over 400,000,000 pounds of sugar are produced annually by that company should prove quite a surprise.

Mr. Staub's article, "European Jottings", which appears in the present issue, is in a sense a part of his interesting series of articles on "Travels of an Accountant." The entire New York office was glad to learn upon Mr. Staub's return that he had recovered from his recent indisposition and the members of our organization will now, in a way, be able to live through some of the experiences of Mr. and Mrs. Staub as outlined so deftly in the article referred to. Mr. Staub has digressed a bit from the usual travel article, to good advantage we think, by giving us an insight into

some of the economic conditions as they now exist in Europe.

H. E. B.

### Karl Marx on Accountants

An interesting reference to accountants appears in one of the 1927 issues of the Chase Economic Bulletin, which is issued by the Chase National Bank of the City of New York. The issue was devoted entirely to the consideration of "Types of Social Radicalism" by Benjamin M. Anderson, Jr., Ph.D., the economist of the Chase Bank.

In an appendix Dr. Anderson discusses briefly the theories of Karl Marx, whose doctrines he considers as having been the source of almost all the important manifestations of modern social radicalism. The reference to accountants appears in the following passage forming a part of the presentation of Marx's theories concerning "The Class Struggle":

The working classes on the one hand are disciplined by the machine, and their minds are made by the machine technology. They think in terms of material cause and effect. They do not easily believe in miracles, and they tend to become materialistic rather than religious. The owning classes, on the other hand, together with the lawyers and the accountants and the clergy, tend to think of intangible things like contracts and legal rights and sacraments and financial statements and profits and loss accounts and franchises and patents and copyrights. The workingman understands plant and equipment, but does not easily visualize "good will."

### Telephone Courtesy and Speed

Any one reading the article entitled "Telephone Courtesy as a Business Builder," which appeared in the December 1927 issue of *The Industrial*

*Digest*, will be impressed with the importance of a study of the telephone methods in use in an office and their possibilities for weal or woe to any business concern. The article referred to tells of the work done by one of our clients, the Johns-Manville Corporation, in developing telephone efficiency and courtesy in its organization at the chain of offices of that company throughout the country. Special credit is given Miss Joan Wing, who has developed a system of her own.

Limitations of space unfortunately do not permit of reproducing in full the article above referred to. The following excerpts, however, will give some idea of the ground covered and may also convey some suggestions which can be applied to advantage in the offices of public accountants:

The system . . . has been adopted by a number of large manufacturing and distributing corporations, as well as public utility concerns throughout the United States and Canada. It is called "speed with politeness" and it has been put to trying tests and not found wanting.

Today should you call any office of the company in the forenoon you will be greeted with a cheery "Johns-Manville, good morning" and the salutation has become a byword with all who have dealings with the organization. Not only is the caller cheerfully greeted but he is promptly connected with the department or individual with whom he desires to speak. . . .

Just as an individual may possess a good or a bad personality, so does a corporation. And the voice, which is the keynote of individual personality, is a vital factor in the career of an organization having dealings with the public. . . . The voices of the corporation come over the telephone to reflect the organization's personality every bit as much as the voice of the individual you find yourself liking or disliking. You shun association with disagreeable personalities and, by the same token, you avoid dealings with organizations that are lacking in courteous quantities. . . . The business house that per-

mits discourtesy to flourish writes its own ticket for oblivion.

To facilitate matters for the "Unseen Customer" all employees who answer a telephone immediately identify themselves and their department, and the calling party, without having to resort to a rigorous cross-examination, knows who he is talking with. In this detail speed is blended with politeness. The word "Hello" is entirely banished from the system, as an unnecessary and oftentimes objectionable word; that, after all, it means no more than the stilted English telephone query, "Are you there?"

... It was found, from convincing tests, that the unrestrained use of the telephone by employees for the making and receiving of social calls used up valuable time and tied up lines that should be open for business traffic. ... While the time wasted by employees by making and receiving personal calls is of slight consequence, the tying up of lines necessary for legitimate commercial use is a matter of serious importance. Busy signalling a customer is bad business. Every effort should be made to give him the right of way. ...

The practice of using the telephone attendant as a private or general office secretary is a bad one and one that reacts upon business. The telephone operator should confine herself to directing traffic through the switchboard and indulge in no conversations other than those absolutely necessary to her duties. If a customer desires to leave a message for a department head or a salesman the message should be taken by someone in the department interested and not by the telephone operator.

... have little patience with those people who are continually complaining about poor telephone service. The telephone service in the United States is the finest in the world and everything is being done to give the public the best deal possible. Engineers, traffic experts and others who have devoted their lives to telephone affairs are striving continually to remedy defects and to improve service. The trouble is that most people take too much for granted and those who kick the hardest against the telephone service are the ones who know the least about it. Efficiently and courteously used the telephone service of the United States is one of the wonders of the world. ... The human

equation enters into telephone service and allowances should be made for it, for, after all, "It is human to err."

### Bureau Ambassadors\*

By FRED F. SULLY

Internal Revenue Agent, Philadelphia, Pa.

As a man is known by the company he keeps, so is any organization known by the men who represent it. And so, in theory, every revenue agent is the personal representative of the Commissioner of Internal Revenue. The only contact of a personal nature that hundreds of thousands of American citizens have with the Government is through the occasional or periodical visits of the bureau officers. It is only reasonable to believe, then, that the general impression created by these men will be the general public's appraisal of the entire personnel.

With these field representatives rests the responsibility and the duty of engendering and maintaining that feeling of good will so essential to the happy functioning of a government. To some, the sharing of profits with a silent and unseen partner like Uncle Sam is a necessary obligation. To others it appears as an unjustified and undemocratic demand on their personal enterprise and ambition, and they regard as a noteworthy achievement any success they may have in keeping for themselves a part of that which rightfully belongs to the Government. One of the first missions of the revenue agent, then, is to be an emissary of good will and an educator in the fullest sense of the word. To bring the would-be tax-evading element to the viewpoint that the Bureau of Internal Revenue wants only that part of income which it is solemnly charged by law to collect, and to give the taxpayer to understand that he is as much the employer of the bureau personnel as the commissioner himself is one of the important duties of the deputy collector and the agent. It is the taxpayer's own enterprise that has made possible the well-filled pockets of the Government, and it is his taxes that help to pay the salaries of the bureau employees.

The taxpayer appraises the visiting revenue agent more minutely than he would

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a salesman. Here is a man with whom he must transact business of the most personal nature. A salesman he could dismiss with a wave of the hand. The agent's appearance automatically catalogues him in the taxpayer's mind.

A cigar tilted at the corner of the mouth, unpressed clothing, unpolished shoes, linen that has seen double duty, a mourning border at the finger ends, and a beard that does not bespeak daily attention discount the bureau as an efficient and progressive business organization.

To accomplish his mission successfully many qualities are required in a revenue agent. First, last, and always is courtesy. No taxpayer, however important or insignificant, fails to appreciate it. There must be a thorough and intelligent knowledge of the laws to be administered. There must be a certain firmness and freedom from vacillation, stripped entirely of officiousness. There is absolutely no reason or excuse for the overbearing or officious examining officer. He dissipates the feeling of patriotic devotion and cooperation that the bureau is doing so much to foster and create. In fact, he is one of the outstanding liabilities of his Government.

No agent is given the authority to bargain or compromise where the Government's pocketbook is concerned. And if the taxpayer can be convinced by a thorough review of the question involved that the law, and not the agent as an individual, holds such and such to be the case, there is a more ready conversion to a new viewpoint, and it is here that the officer fills the rôle of educator. His is a splendid opportunity to demonstrate that his mission is one of helpful cooperation, and not inconsiderate law enforcement.

The true value of a revenue agent is measured not by the amount of tax he reports for assessment, but the amount actually assessed. Every agreement means a completed job, a satisfied customer, a bill of goods well and truly sold. It lessens expenses, speeds up production, and makes the man who can bring in one with every report a real ambassador of the bureau.

The path of the revenue agent is beset with its problems and its temptations. His official deportment is the only impression a large part of the public may get of the thousands who never leave their desks in

Washington and the field. He is the living, walking example of the manner in which the Government is conducting its affairs.

Mr. Average Citizen will pay his quarterly installments with far greater pride knowing that his country's financial affairs are being administered by a group of men whose sense of fairness, intelligent understanding, appreciation of dignity, and true gentlemanly qualities make them creditable ambassadors.

### An Appreciation

One of the most remarkable business corporations in America—remarkable for its well nigh marvellous accomplishments, as well as for the comparatively short period in which its organization was developed and its present position of leadership attained—is the General Motors Corporation. It is therefore with all the more interest that accountants read the following passage which appeared in an address which Mr. Alfred P. Sloan, President of the General Motors Corporation, delivered before the Automobile Editors of American newspapers a short time ago:

If I could wave a magic wand over our dealer organization, with the result that every dealer could have a proper accounting system, could know the facts about his business and could intelligently deal with the many details incident to his business in an intelligent manner as a result thereof, I would be willing to pay for that accomplishment an enormous sum and I would be fully justified in doing so. It would be the best investment General Motors ever made.

We have no doubt there are numerous accountants who not only concur with Mr. Sloan in his opinion of the value of a proper accounting system, but who would gladly help him to wave the magic wand to bring about the result he desires.

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